

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 PA-01 PRS-01 SAM-01 INT-05 OES-06

FEA-01 AGR-05 /102 W

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R 120904Z APR 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3986

INFO AMCONSUL HONG KONG

USLO PEKING

AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

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VICE 8145)

E. O. 11652: N/A

TAGS: ETRD, EMIN, ENRG, EPAP, EMAE, EFIN CH, RP

SUBJECT: GOP SEEKS TO BALANCE ITS TRADE WITH PRC

REF: (A) HONG KONG 3926 (B) 75 MANILA 8143 (C) 75 MANILA 8345

1. THE AGREEMENT SIGNED APRIL 5 IN MANILA ESTABLISHING A
GOP/PRC JOINT TRADE COMMITTEE TO IMPLEMENT THE 1975 TRADE
AGREEMENT OWES MUCH TO THE GOP DESIRE THAT THE PRC BUY MORE
FROM THE PHILIPPINES AND THUS BALANCE THE TRADE. THE
AGREEMENT IS ACTUALLY AN EXCHANGE OF NOTES WHICH WAS INITIALLED
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BY MINISTER RODOLFO SEVERINO JR. OF THE PHILIPPINE EMBASSY IN

PEKING AND HSI YEH-SHENG, DIRECTOR FOR ASIAN AFFAIRS IN THE PRC MINISTRY OF FOREIGN TRADE. AN ACCOMPANYING EXCHANGE OF NOTES LISTS SPECIFIC PRODUCTS "AND OTHER COMMODITIES" FOR EXCHANGE, AND APPEARS NOT SIGNIFICANTLY DIFFERENT FROM THE SCHEDULES ANNEXED TO THE 1975 AGREEMENT. (SEE REFTELS).

2. THE PRC DECISION TO SEND HSI YEH-SHENG TO MANILA AT THE HEAD OF A SMALL MISSION APPEARS TO BE AN OUTGROWTH OF AMBASSADOR KE HUA'S RECENT CALL ON TRADE SECRETARY TROADIO QUIAZON, DURING WHICH SECRETARY QUIAZON POINTED OUT THE GROWING IMBALANCE IN TRADE AND ASKED WHAT THE CHINESE COULD DO TO BUY MORE FROM THE PHILIPPINES.

3. ACCORDING TO DEPARTMENT OF TRADE SOURCES, THE PRC HAS RESPONDED POSITIVELY AND AGREED TO TRY TO BALANCE THE TRADE. (ONE SOURCE SPECULATES THAT THE CHINESE MAY BUY BANANAS AS THEY DID FROM ECUADOR SOME YEARS AGO, SINCE THE PRC IS INTERESTED IN THE DEVELOPMENT OF POLITICAL RELATIONS WITH THE GOP.) SUBSEQUENTLY, THE TWO NOTES WERE NEGOTIATED IN PEKING BETWEEN THE PHILIPPINE EMBASSY AND THE MINISTRY OF FOREIGN TRADE.

4. LATEST TRADE STATISTICS SHOW THAT THE DEFICIT FOR THE PHILIPPINES IS WIDENING. DURING THE FIRST TWO MONTHS OF THIS YEAR THE PHILIPPINES IMPORTED \$11.8 MILLION (ALMOST ALL PETROLEUM) AND EXPORTED \$3.1 MILLION FOR A DEFICIT OF \$8.7 MILLION. THIS INDICATES THAT THE GOP IS SERIOUS ABOUT DIVERSIFYING ITS SOURCES OF CRUDE OIL AWAY FROM ITS DEPENDENCE OF THE MIDDLE EAST.

5. THE JOINT TRADE COMMITTEE IS TO SEEK A BALANCE OF TRADE BY DRAWING UP TRADE SCHEDULES INDICATING VOLUMES AND SPECIFIC ITEMS OF EXCHANGE. THE CO-CHAIRMAN OF THE COMMITTEE WILL BE BUREAU DIRECTORS AND ARE EXPECTED TO BE FRANCISCO VALLEDA, DIRECTOR OF THE GOP BUREAU OF FOREIGN TRADE, AND THE AFOREMENTIONED HSI YEH-SHENG. ITS NEXT MEETING IS SCHEDULED FOR PEKING.

6. COMMENT. THE GOP TRADE WITH THE PRC IS ONLY 1.25 PERCENT OF ITS TOTAL FOREIGN TRADE, BOTH EXPORTS AND LIMITED OFFICIAL USE

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IMPORTS (\$72 MILLION OF \$5,753 MILLION). IN CONTRAST, PHILIPPINE TRADE WITH TAIWAN AMOUNTED TO \$109 MILLION IN 1975. MOREOVER, TRADE WITH TAIWAN IS DIVERSIFIED AND COMMERCIALY BASED, WHEREAS THE GOP INTEREST IN CHINA OWES MUCH TO ITS POLICY OF DIVERSIFYING ITS OIL SOURCES AND TRADE IS HENCE LARGELY AN OUTGROWTH OF GOVERNMENT POLICY.
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